



THOMAS W. HAYES
AUDITOR GENERAL

California Legislature

Office of the Auditor General

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March 31, 1980

Letter Report 006

Honorable S. Floyd Mori
Chairman, and Members of the
Joint Legislative Audit Committee
State Capitol, Room 4168
Sacramento, California 95814

Dear Mr. Chairman and Members:

In response to the Supplemental Report of the Committee of Conference on the Budget Bill of fiscal year 1979-80, we have conducted a follow-up review of the State Personnel Board's (SPB) administration of the Career Opportunities Development (COD) program. Item 128, paragraph 3 of the supplemental report required that the Auditor General do the following:

- Examine SPB's progress in implementing and achieving the recommendations contained in Auditor General Report No. 706.1, dated October 12, 1977
- Compare client job placement rates under public sector COD programs with Work Incentive (WIN) programs for the private sector
- Provide recommendations for creation of a management information system so that SPB would be able to provide data on reasons for nonplacement of COD employees and track COD employees who are placed in permanent positions
- Compare administration of employment programs (called jobs programs) by the SPB versus the Employment Development Department (EDD). EDD and SPB both administer employment programs and jointly administer one segment of the COD program.

Our review disclosed that SPB has complied with all recommendations made in Auditor General Report No. 706.1. Also, available data indicate the WIN On-The-Job program places a substantially greater percentage of clients into permanent positions than does the WIN Career Opportunities Development program. However, different methods used by the agencies to calculate placement rates may make the data incomparable. In addition, we found that EDD, in cooperation with SPB, has begun working on a long-range study which will provide management information on client retention rates within selected jobs programs, including the COD program. The agencies, however, do not currently plan to include reasons for nonplacement of clients. Because of the above data limitations, a comprehensive comparison of jobs program administrative costs and relative efficiencies between SPB and EDD is not currently possible.

To address the above conditions, we recommend that

- SPB and EDD develop comparable data on jobs program transition (placement) rates. The agencies should jointly present this data to the Legislature by May 1, 1980, in time for budget hearings
- EDD and SPB include as part of the retention study an analysis of reasons clients were terminated before transition.

We also recommend that the Legislature authorize a review of EDD and SPB jobs program administrative costs and relative efficiencies once the agencies have developed comparable transition rate data and program retention rate data.

Scope and Methodology

We limited our review to the topics specified in the supplemental report. In conducting our study we interviewed SPB and EDD personnel; reviewed COD Unit policies and procedures; and examined documents, correspondence, and data provided by the agencies. Although our audit focused on SPB's administration of the COD program, we also reviewed EDD's employment programs for purposes of comparison.

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Prior to addressing the specific topics of the request, we have included a brief background section to provide perspective on the COD program.

Background

SPB administers the COD program which develops new career opportunities for welfare recipients and other disadvantaged persons who have been unable to enter public service because of insufficient work experience or education. EDD administers the WIN program which is a federal training program for people receiving Aid to Families with Dependent Children. In addition to maintaining their respective programs, in 1971 SPB and EDD combined efforts to develop the WIN/COD program. This program is jointly administered by SPB and EDD, and it provides a combination of state and federal funding assistance to employers who contract for job training placements.

Under the COD program, public agencies contract with the State to provide COD clients job training with the understanding that clients will transition into full-time positions upon completion of their training. The program pays 100 percent of the client's salary and fringe benefits during the training phase. In fiscal year 1978-79, SPB's COD Unit closed (completed) contracts amounting to \$3,560,022 with public agencies and nonprofit organizations. These completed contracts resulted in permanent employment for 513 clients.

The COD program consists of a jobs program and a grants program. This review pertains to the jobs program only. The jobs program consists of three segments: (1) WIN/COD on-the-job training (OJT) contracts, (2) COD jobs contracts, and (3) the Department of Rehabilitation COD program. This last segment of the program, which provides employment training for disabled persons, is jointly administered by SPB and the Department of Rehabilitation.

The WIN/COD and the Department of Rehabilitation COD programs are funded with state and federal monies; the COD jobs contract program receives only state funds. Appendix A provides a detailed description of each of the three jobs programs.

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COMPLIANCE WITH RECOMMENDATIONS
OF PREVIOUS REPORT

SPB has complied with all recommendations made in Auditor General Report No. 706.1. The report's recommendations and actions taken by SPB are as follows:

<u>Recommendation</u>	<u>Action Taken</u>
<p>That SPB adopt an operationally oriented management-by-objectives system and include the following features:</p> <ul style="list-style-type: none">- Specific measurable unit objectives- Appropriate procedures to achieve the objectives- Performance/workload standards for unit staff- Standard operating procedures for daily activities- Formal staff workplans and scheduling.	<p>SPB has developed a list of specific, measurable objectives for the COD Unit and has identified specific procedures by which to achieve each objective. SPB has also developed trainee placement goals for each state agency with which the COD Unit contracts. COD Unit and division management monitor staff progress in achieving these goals monthly.</p> <p>SPB staff have written a COD Policies and Procedures Manual which details standard operating procedures for daily activities. In addition, they have developed workplans and schedules for initial employer contact, follow-up, and grant and contract monitoring.</p>

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<u>Recommendation</u>	<u>Action Taken</u>
That COD and EDD management establish written allowable cost guidelines for WIN/COD contracts. The guidelines should cover only the trainees' related training costs and not the instructors' salaries or travel expenses.	On January 13, 1978, SPB and EDD representatives signed a Memorandum of Understanding in which they agreed that "...allowable costs in WIN/COD contracts shall be limited to trainees' salary and fringe benefits and only other directly related training costs such as required tools or uniforms." The memorandum further states that any other costs believed to be directly trainee-related must be mutually agreed upon prior to final negotiations with the contracting agency.
<u>Recommendation</u>	<u>Action Taken</u>
That new and current SPB analysts be made aware of EDD's role in administering the WIN/COD program.	The COD Policies and Procedures Manual contains a section describing EDD's role in the WIN/COD program. In addition, new analysts learn of EDD's role through on-the-job training from experienced analysts.

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<u>Recommendation</u>	<u>Action Taken</u>
That SPB analysts notify the local EDD field offices early in the contract development phase to determine if qualified applicants are available before completing the contracts.	Approximately three weeks following the issuance of Report No. 706.1, SPB and EDD entered into Interagency Agreement CO-238 which outlines the responsibilities of each agency in administering the WIN/COD program. The agreement stipulates that SPB shall not sign jobs contracts until EDD has had three working days in which to evaluate the availability of appropriate WIN participants. The COD Policies and Procedures Manual contains the same provision.
<u>Recommendation</u>	<u>Action Taken</u>
That COD and EDD management establish frequent, regularly scheduled meetings to conduct planning, evaluate results and resolve problems.	SPB and EDD management stated that they meet an average of once a week to plan, evaluate, and coordinate their activities. During the meetings, they also discuss and resolve interagency problems.
<u>Recommendation</u>	<u>Action Taken</u>
That SPB improve the COD grant and jobs contract monitoring system by implementing (a) scheduled on-site visits to grantees and jobs contractors and (b) guidelines for COD jobs contract periodic and final reports.	COD analysts now conduct regularly scheduled on-site visits to grantees and jobs contractors. They write periodic reports on open contracts and a final report on each completed contract. The COD Policies and Procedures Manual contains guidelines by which the reports are written.

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COMPARISON OF PLACEMENT RATES

As specified in the supplemental report, we compared job placement rates under public sector COD programs with placement rates under WIN programs for the private sector. In addition to jointly administering the WIN/COD components with SPB, EDD administers various training programs under the WIN program. Two of these programs are the WIN On-The-Job Training (WIN/OJT) program and the WIN Intensive Employability Services (WIN IES) program. While comparable transition data can be developed for the WIN/COD, WIN/OJT, and WIN IES programs, EDD and SPB management stated that the programs are sufficiently different so that it may be misleading to do so. As described below and in Appendix A, each program services different training needs for different individuals.

Work Incentive On-the-Job Training Program

Like the WIN/COD program, the WIN/OJT program places recipients of Aid to Families with Dependent Children (AFDC) in training positions which lead to full-time employment. However, while the WIN/COD program focuses on employment in public service, WIN/OJT employers are generally in the private sector, although public sector contracting is possible. The employer's rate of reimbursement is limited to an amount equal to 50 percent of the client's salary, as opposed to 100 percent in the WIN/COD program. However, WIN/OJT employers receive tax advantages for their share of the salary expenses and may also receive tax credits through state and federal programs. Therefore, their respective reimbursements and tax incentives could be greater than 50 percent. The WIN/OJT program is 90 percent federally funded and 10 percent state funded.

Work Incentive Intensive Employability Services Program

The WIN IES component provides job search skills to AFDC recipients to aid them in seeking unsubsidized employment. It does not, however, place clients with prospective employers. Workshops and group sessions prepare clients for writing job applications, interviewing with employers, and similar activities. The WIN IES program is also 90 percent federally funded and 10 percent state funded.

The following table shows comparative client transition rates among the three programs. The table, based on data provided by EDD, indicates that the WIN/OJT program places a substantially greater percentage (78.2 percent) of its clients into full-time employment than does the WIN/COD program (51.4 percent). However, WIN/COD full-time placement rate (85 percent) in state agencies was comparable to the WIN/OJT rate. The WIN/COD program's transition rate is only about 7 percent greater than that of the WIN IES program (44.8 percent), which neither matches a client with an employer nor subsidizes the client's training.

TABLE 1^a

COMPARATIVE TRANSITION RATES OF
WIN/OJT, WIN IES, AND WIN/COD PROGRAMS
(BASED ON OPEN AND CLOSED CONTRACTS)
FOR AN ELEVEN-MONTH PERIOD
PROGRAM YEAR 1979
(UNAUDITED)

<u>Program</u>	<u>Number of Clients Served</u>	<u>Number Entering Employment</u>	<u>Transition Rate</u>
WIN/OJT	1,910	1,494	78.2%
WIN IES	13,838	6,195	44.8%
WIN/COD	990	509	51.4% ^b

^a The data in the table are from an EDD report to the Legislature in compliance with Item 128, paragraph 6 of the Supplemental Report of the Committee of Conference on the Budget Bill, fiscal year 1979-80.

^b Within the WIN/COD program, client transition rates varied substantially among employers. For example, clients trained by state agencies under contract with SPB were placed in full-time employment at an 85 percent rate. Those trained by local public entities (e.g. city governments) contracting with EDD had only a 33 percent transition rate. EDD management stated that one cause of this poor transition rate was Proposition 13 and its resulting staffing reductions.

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SPB officials believe the figures in the table are misleading because the data on the WIN/OJT and WIN/COD programs are derived from open contracts (i.e. contracts still in effect) as well as closed contracts (i.e. terminated contracts). SPB staff compile closed contract data only and maintain that simultaneously using open and closed contract data can seriously distort transition rates and program costs. Appendix B provides a detailed description of the agencies' positions regarding use of closed and open contracts.

COD Unit management provided us closed contract data on client transition rates for the COD jobs contract and the Department of Rehabilitation COD programs, respectively. Table 2 presents the data.

TABLE 2

TRANSITION RATES OF COD JOBS CONTRACT AND
DEPARTMENT OF REHABILITATION COD PROGRAMS
(BASED ON CLOSED CONTRACTS)
OCTOBER 1978 THROUGH AUGUST 1979
(UNAUDITED)

<u>Program</u>	<u>Number of Clients Served</u>	<u>Number Entering Employment</u>	<u>Transition Rate</u>
COD Jobs Contract Program	42	26	61.9%
Department of Rehabilitation COD Program	274	180	65.7%

The degree to which open and closed contract data can be compared is unknown. However, we found one case of conflicting data which, if typical, indicates that the data are highly incomparable. In the case in question EDD, using open and closed contract data reported that 509 AFDC recipients transitioned from the WIN/COD program into full-time positions in program year 1979. For approximately the same period SPB, using closed contract data only, reported only 237 transitions for the WIN/COD program.

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Recommendation

While SPB and EDD management are attempting to resolve their differences over using open and closed contract data, they have not yet reached agreement on how the data can be most accurately portrayed. We recommend that SPB and EDD reach such an agreement as soon as possible and that they prepare a joint report for the Legislature on the transition rates and, if possible, costs of the WIN/OJT, WIN IES, and COD programs (including WIN/COD, COD jobs contract, and Department of Rehabilitation COD components) by May 1, 1980, in time for budget hearings.

MANAGEMENT INFORMATION SYSTEM

Prior to our review, EDD in cooperation with SPB began working on a long-range study which will provide management information on client retention rates within certain WIN components, including WIN/COD, WIN/OJT, and WIN IES. EDD has agreed with SPB to include COD jobs contract and Department of Rehabilitation COD program clients in the study as well.

The study, which is scheduled to be issued August 31, 1980, will use unemployment insurance information to measure retention rates at 6, 12, and 18-month intervals following a client's transition to full-time employment. Following initial issuance, the study will be updated monthly.

There are two possible points of client termination in subsidized training programs: before transition and after transition. EDD and SPB do not currently plan to determine reasons for nonplacement of clients at either point. EDD management stated that determining reasons for nonretention after transition would be difficult because (1) the State may be infringing on employees' right to privacy and (2) clients who had moved to a new employer after transition would be hard to locate. However, management did state that a sampling would be possible to determine reasons why clients are terminated before transition.

Recommendation

As part of the retention study, we recommend that EDD and SPB include an analysis of the reasons clients were terminated before transition.

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JOB PROGRAM ADMINISTRATION

A comprehensive comparison of jobs program administrative costs and relative efficiencies is not possible as long as (1) client transition rate data are incomparable and (2) no data exist on program retention rates. Therefore, we believe it to be premature to attempt analysis in these areas.

Recommendation

We recommend that the Legislature authorize a review of EDD and SPB jobs program administration once the agencies have developed comparable transition rate data and program retention rate data.

Respectfully submitted,


for THOMAS W. HAYES
Auditor General

Staff: Eugene T. Potter, Audit Manager
Samuel D. Cochran

Attachments:

Responses to Auditor General's Report
Appendix A
Appendix B

Memorandum

To : Thomas W. Hayes
Auditor General
Office of the Auditor General
Suite 750
925 L Street
Sacramento, CA 95814

Date : March 31, 1980

From : **State Personnel Board**

Subject :

Thank you for the opportunity to review your draft report concerning the State Personnel Board's Career Opportunities Development Program.

Overall, I find the letter report comprehensive in its discussion of the Career Opportunities Development Program and the difficulties in attempting a comparison with other employment programs. Our specific concerns and recommendations below focus on the strong belief that at this point valid comparison of COD with WIN/OJT is not realistic.

While your report acknowledges that there are doubts that the programs can be compared, it proceeds to present data which does just that. It makes comparisons where, analytically, any comparison is deficient because of the totally different employment goals of WIN/OJT and WIN/COD. The goal of WIN/OJT is to employ persons in private sector jobs. The COD goal is career employment in the public sector with the intrinsically more complex employment process because of public policy calling for competitive merit selection under civil service laws.

In regard to the recommendations on pages 2 and 10 concerning a review of EDD and SPB Jobs Program administrative costs and relative efficiencies once comparable data has been developed, and the development of comparative data in general, we believe that comparable data does not exist at this time. We are certainly willing to work with EDD toward that end. However, we believe it will be difficult, if at all possible, to develop comparative data due to the substantial dissimilarities between WIN/COD and WIN/OJT. We point out these differences below.

The statement on page 8 of the report that the WIN/OJT Program places a substantially greater percentage of its clients into full-time employment than does the WIN/COD Program is based on one period of time out of the seven-year history of the COD Program. As qualified by the Auditor General report, the available data was limited to successful placements (transitions) in this one period. We believe that any review of the COD Program should take into consideration performance over the life of the Program. We have attached a chart showing, by fiscal year, transitions from all aspects of the COD Program. Concentration on one period of time over-emphasizes, we believe, the negative impact of Proposition 13 on local

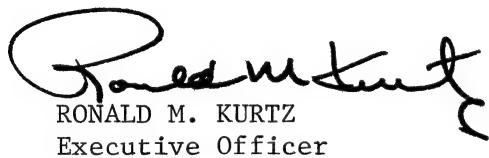
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government. The lower performance from local government employers, specifically, may also be a result of EDD's lack of technical personnel expertise critical to developing and carrying out successful jobs programs with civil service employers.

In regard to the recommendation on page 10, we are attempting to resolve our differences with EDD over using closed contract data as opposed to open and closed combined; however, as we stated above, we believe it will be very difficult to develop valid, comparable data.

In regard to your recommendation on pages 2 and 10 concerning retention, the reasons for nonplacement include substandard performance, voluntary resignation, absence without leave, and lack of a budgeted position at the time of transition.

If you need further information, please contact Mr. Lou Perez of my staff at 445-2767.



RONALD M. KURTZ
Executive Officer

TOTAL STATE AND LOCAL AGENCIES

<u>STATE AGENCIES</u>	<u>Training Units Under Contract</u>	<u>Number Hired</u>	<u>Number Moved Into Permanent Jobs</u>	<u>Transition Rate%</u>
1972-73 Fiscal Year	293	284	186	63.6%
1973-74 Fiscal Year	1,043	1,014	619	61.6%
1974-75 Fiscal Year	677	706	491	62.1%
1975-76 Fiscal Year	721	706	467	60.6%
1976-77 Fiscal Year	1,179	1,251	627	64.6%
1977-78 Fiscal Year	693	669	467	69.2%
1978-79 Fiscal Year	676	659	433	66.2%
TOTAL - STATE AGENCIES	5,272	5,075	3,133	63.6%

LOCAL AGENCIES

1972-73 Fiscal Year	3	0	0	
1973-74 Fiscal Year	54	111	69	61.1%
1974-75 Fiscal Year	572	706	467	63.4%
1975-76 Fiscal Year	595	656	444	66.7%
1976-77 Fiscal Year	1,241	1,110	1,105	64.3%
1977-78 Fiscal Year	730	701	205	63.1%
1978-79 Fiscal Year	445	519	265	51.1%
TOTAL - LOCAL AGENCIES	5,187	5,039	2,573	63.2%
TOTAL - STATE AND LOCAL AGENCIES	5,460	5,114	5,705	63.5%



EMPLOYMENT DEVELOPMENT DEPARTMENT

Sacramento 95814 (916) 322-2310

- March 28, 1980

REFER TO:
37:511:sc

- Mr. Thomas W. Hayes
Auditor General
Joint Legislative Audit Committee
Office of the Auditor General
925 L Street, Suite 750
Sacramento, CA 95814

Dear Mr. Hayes:

OFFICE OF THE AUDITOR GENERAL - REPORT CONCERNING THE STATE PERSONNEL BOARD'S CAREER OPPORTUNITY DEVELOPMENT PROGRAM

At your request, we are hereby submitting comments and recommendations to your report concerning the State Personnel Board's Career Opportunity Development Program. Since you requested our response within two days rather than the customary five days, our comments and recommendations will be brief.

We are in general agreement with the Auditor General's report. We appreciate the professional approach taken by Sam Cochran in the research and development of the report. Also, we are appreciative of the opportunity to offer the following comments, recommendations and additional information:

- We are submitting additional information, since we feel that it may be appropriate to include comparison data from CETA/PSE and WIN/PSE programs, since these programs are also designed for public service employment. Statistical data for WIN/COD and CETA/PSE programs for the fiscal period October 1, 1978 through September 30, 1979 are:

Entered Component	Entered Employment	Cost Per Entered Employment	Transition Rate
CETA/PSE 1/	2,173	1,002	1/ 46.0%
WIN/COD 2/	1,008	524	\$6,842.69 51.9%
WIN/PSE 3/	379	185	\$5,092.00 49.0%

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- 1/ Entered Employment cost controlled by local Prime Sponsor. The figures include public and private sector transitions. Cost per Entered Employment figures are not routinely provided to EDD, and therefore were not readily available to include in this response.
 - 2/ WIN/COD statistics are for 12 months, which explains the difference between the 11 months of statistical data for WIN/COD in the Auditor General's report.
 - 3/ Statistics for WIN/PSE reflect experience with local public entities and community based organizations, since State agencies participate in WIN/COD. WIN/PSE was discontinued after the fiscal period October 1, 1977 through September 30, 1978. It is no longer an active component.
- . With respect to the Auditor's recommendation that SPB and EDD reach agreement on how WIN transition and cost data can be most accurately portrayed, we would like to restate our position. For federal reporting purposes, open and closed contract data is mandatory. The additional cost of developing a separate closed contract data base for Entered Employment costs would be extremely high. Therefore, EDD will be able to provide transition and cost data for open and closed contracts by May 1, and will work with the SPB to come to agreement and present what closed contract data we could compile most readily.

Also, we would like to reiterate EDD's thinking that reporting fiscal statistics from both open and closed contracts is appropriate since administrative, staff and contract costs in a given fiscal period can be compiled. This is impractical, in our opinion, for closed contracts since they cross different fiscal periods of both state and federal fiscal years. Additionally, we do not feel that program cost for both open and closed contracts distort transition rates. Transition rates should balance out in an ongoing program whether they are beginning or year-end heavy.

While we agree with the SPB that long-trend (multi-year) data for transitions may be a valid measure of program effectiveness, we think the rate should be calculated from the point in time Proposition 13 was passed and impacted local government rather than the three years SPB suggests. It is our experience that Proposition 13 has contracted local government employment. Additionally, the use of CETA/PSE Titles VI and IIId. has impacted growth in the local public sector. While there still is some opportunity for transition, the transition rates have dropped markedly over the last two years. Consequently, the most reliable data on which to measure program effectiveness and to base program plans and decisions are those collected since June 1978.

Sincerely,

James Livingston
GENE LIVINGSTON
Acting Director

CAREER OPPORTUNITIES DEVELOPMENT PROGRAM'S
JOB'S PROGRAM SEGMENTS

The following is a detailed description of the COD program's three jobs program segments.

Work Incentive
Career Opportunities
Development Program

WIN is a federal program originated in 1967 under Title IV of the Social Security Act. The program is designed to help people receiving Aid to Families with Dependent Children (AFDC) prepare for and obtain permanent career employment. EDD administers the WIN program. In 1971 SPB and EDD combined efforts to develop the WIN/COD program. This program is jointly administered by EDD and SPB, and it provides a combination of federal and state funding assistance to public sector employers who contract for training placements. The COD Unit is responsible for contacting employers and negotiating job training contracts for state agencies, including the two state university systems. EDD is responsible for contacting local employers and negotiating and administering contracts with them. EDD makes the job referrals and monitors the WIN/COD contracts. The COD Unit assists EDD by monitoring state agency contracts. The COD funds are generally matched with WIN funds on a dollar-for-dollar basis.

Career Opportunities
Development Jobs
Contract Program

The COD jobs contract program is administered solely by SPB's COD Unit. COD contracts are funded by monies left over from the WIN/COD fund match. Unlike the WIN/COD program, the COD program does not require federal AFDC eligibility so it is more flexible and broader in scope. COD jobs contracts are written in counties where EDD does not have field offices and for participants who are not eligible for AFDC. The COD Unit is responsible for contacting employers, negotiating and writing the job training contracts, referring qualified applicants and monitoring the contracts.

**Department of Rehabilitation
Career Opportunities
Development Program**

SPB partially funds the Department of Rehabilitation's COD program. In addition to COD funds, the Department of Rehabilitation receives four-to-one matching funds from the Federal Government. The program's purpose is to obtain permanent employment for the disabled in public service agencies. COD analysts contact employers in state agencies and negotiate the job training contracts for this program. The Department of Rehabilitation refers applicants to all jobs developed.

EMPLOYMENT DEVELOPMENT DEPARTMENT AND
STATE PERSONNEL BOARD POSITIONS REGARDING USE OF
CLOSED AND OPEN CONTRACTS

EDD and SPB are in disagreement concerning whether open and closed contracts, or closed contracts only, should be used in presenting data on client transition rates and program costs.

EDD's data collection and reporting system combines cost figures and performance data for both open and closed contracts. This is done for two reasons. First, the federally required fiscal reporting system for the WIN program cannot separate open and closed contract costs. EDD management stated that to do so on a continuing basis would require redesign of the system and would require maintenance of two sets of records. Second, WIN/OJT and WIN/COD contracts negotiated by EDD with local entities are usually short-term and entail only one trainee position. Thus, over the course of a program year, any distortions created by reporting data on open contracts would be minimal. Not only would there be few open contracts at the end of a program year, but also data on those still open would be offset by data from closed contracts carried over from the previous year.

SPB compiles and reports data on closed contracts only. This is at least partially due to the nature of COD program contracts with state agencies. These contracts are for longer periods of time and frequently involve multiple trainee positions. Consequently, they are for large sums of money. While providing open and closed contract data for a single program year may be acceptable when dealing with the EDD contracts, SPB management believes that this practice can be misleading because distortions can occur. If a contract is near closure at the end of a program year, all costs would be reported despite the fact that no transitions would be reported. The result is that cost figures would be high and transition figures would be low for the year in question. For the following year, however, the cost figures would be low and transition figures would be higher because all the contract's transitions would be reported with no accompanying costs.

SPB management believes that if open and closed contract data are to be used, the data should cover at least a three-year period rather than the one year used by EDD. A three-year period would allow positive and negative distortions to offset each other. EDD management agrees that SPB may have a valid point.